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E-MAIL: accsec@ccsd.cc.state.az.us

ARIZONA CORPORATION COMMISSION

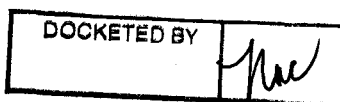
November 7, 2003

By Facsimile & U.S. Mail

Joel Held, Esq.  
Elizabeth Yingling, Esq.  
Baker & McKenzie  
2300 Trammell Crow Center  
2001 Ross Avenue, Suite 2300  
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Arizona Corporation Commission  
**DOCKETED**

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Re: Yucatan Resorts, et al. (Docket No: S-03539A-03-0000)

Dear Mr. Held:

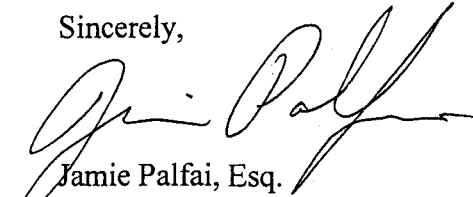
Thank you for your October 23, 2003, letter responding to the Securities Division's proposal for addressing the Examination Under Oath ("EUO") dispute arising in the above-referenced matter. Unfortunately, the counter-proposal included in your response requires that the Securities Division ("Division") completely forsake its statutory and constitutionally-conferred investigative powers in order to resolve this issue. Quite frankly, this is not something the Division is willing to consider.

The Division maintains that its original EUO proposal in this matter was exceedingly reasonable in light of the current EUO procedural rules as promulgated under the Securities Act of Arizona. Based on your clear rejection of this proposal, the Division believes that the sole remaining recourse is to ask that the assigned Administrative Law Judge make an expedited ruling as to the Respondents' Motion and Supplemental Motion to Quash the Division's investigative subpoenas. The Division continues to believe that these motions to quash have neither a factual nor legal basis under prevailing law.

Accordingly, this letter will serve as notification to the Administrative Law Judge that informal efforts to resolve this EUO dispute have proven unsuccessful, and that an expedited judicial ruling on this issue is required. Attached to this letter are the correspondence between the Division and the Respondents evidencing these efforts.

If you or any of your co-counsel would prefer to make a second counter-proposal, the Division would certainly revisit our position. Otherwise, the Division believes that it is in the best interest of all parties, as well as the general public, that this impasse be formally adjudicated at once.

Sincerely,



Jamie Palfai, Esq.  
Enforcement Section  
Arizona Securities Division

2 Enclosures (Division's EUO proposal and Response)

cc: Admin. Law Judge Stern (hand-delivery)  
Docket Control x 14 (hand-delivery)  
Martin R. Galbut, Esq. (via fax & U.S. mail)  
Paul Roshka, Esq. (via fax & U.S. mail)  
Tom Galbraith, Esq. (via fax & U.S. mail)

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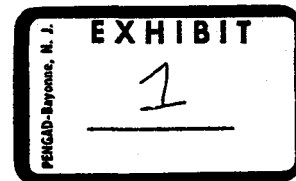
BRIAN C. McNEIL  
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ARIZONA CORPORATION COMMISSION



October 15, 2003

By Facsimile & U.S. Mail

Joel Held, Esq.  
Elizabeth Yingling, Esq.  
Baker & McKenzie  
2300 Trammell Crow Center  
2001 Ross Avenue, Suite 2300  
Dallas, TX 75201

Re: Yucatan Resorts, et al. (Docket No: S-03539A-03-0000)

Dear Mr. Held:

Pursuant to discussions we had during the pre-hearing conference on October 7, 2003, I have made a number of inquiries with supervisors concerning the possibility of opening up the Division's investigatory examinations of various Universal Lease salesmen. In light of the special circumstances presented by this case, including the desire to resolve this discovery dispute promptly, I have been authorized to propose the following compromise on this matter. Please note this proposal represents a unique concession that in no way reflects standard practice employed by the Arizona Securities Division ("Division").

The Division's proposal patterns itself after a discovery determination handed down in the *Mutual Benefits Corporation* matter, a case you cited in a prior motion to quash. In that case, Administrative Law Judge Stern denied Mutual Benefits' motion to quash an investigative subpoena issued to one of the company's sales agents, but ruled that counsel for Mutual Benefits could nevertheless attend the Division's examination under oath ("EUO").

The Division now proposes to accede to this model for the limited purpose of this particular proceeding. Under this model, the Division would first expect that you and your co-counsel withdraw your motion and supplemental motion to quash the Division's investigative subpoenas. In exchange, the Division would agree to allow all defense counsel appearing in the Yucatan matter to attend the Division's EUOs of the various Universal Lease sales agents targeted for investigation.

This compromise would adequately address and serve all parties' interests. The Division would be able to proceed in conducting an inquiry into the potential misconduct of various Arizona-based sales agents, while you and your co-counsel would be able to listen to the examination, take notes on any matters deemed relevant, and be privy to any potential exculpatory testimony. This arrangement would simultaneously address any due process concerns.

In addition to the attendance of observing attorneys, you are no doubt aware that any person required or requested to appear as a witness at a formal EUO proceeding may be accompanied, represented, and advised by a lawyer. The lawyer's role during the formal interview shall be limited to the following activities: 1) giving legal advice to the witness before, during, and after the formal interview; 2) questioning the witness briefly at the conclusion of the formal interview for the purpose of clarifying any testimony the witness has given; and 3) making summary notes during the formal interview solely for the use of the witness and the lawyer. *See A.A.C. R14-4-304.*

For purposes of scheduling, service and other related matters, the Division will require the identity of the attorney or attorneys who will be serving as designated counsel for the various sale agents at their impending EUOs. I would urge you to carefully consider the Arizona Rules of Ethics involving conflicts of interest and the newly adopted *pro hac vice* rules in this state before making a determination to involve either yourself or others already implicated in the defense of the Yucatan Resorts matter in directly representing these sales agents.

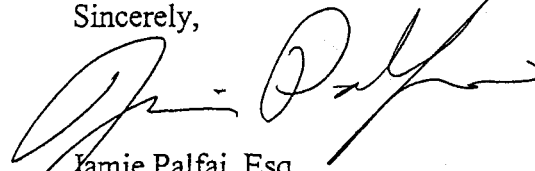
Recognizing the novelty of this proposed "open access EUO," the Division would like to ensure that you are fully familiar with the EUO rules of procedure and conduct. First, the EUO rules provide for but a single attorney to represent and advise the examinee during the course of the examination. Second, it's important to recognize that the representing attorney is not allowed to make evidentiary objections or otherwise interrupt during the course of the examination. As alluded to above, the representing attorney has three explicit functions during the EUO; these functions do not include objections or active involvement in the exam. Third, the observing Yucatan Resorts defense counsel attending the EUO must remain precisely that – observers. These attorneys may take notes during the exam, but no recordings are permitted. On a related point, EUO transcripts of the examination will be available if the examinee ultimately becomes a witness to the Yucatan Resorts matter.

As a final note, please be advised that the examination of some of the Yucatan Resorts sales agents may extend far beyond a mere inquiry into the activities of the agents in connection with the offer and sale of the Universal Lease program. Indeed, a portion of these EUOs may extend to agents' activities falling entirely outside the scope of the Universal Lease, such as the sale of various annuity products. During this segment of these EUOs, any observing counsel representing Yucatan Resorts and its related respondents will be asked to leave the examination room. The Division will, of course, stipulate to the fact that it will not use any testimony garnered through this latter questioning in the matter of *Yucatan Resorts, et al.*

I hope you will agree that this proposal satisfies the primary concerns of both parties to this matter. The EUO powers of the Division will be preserved through this process even while your concerns over fundamental fairness and due process are addressed.

Please let me know your position on this proposal at your earliest convenience. I will be happy to address any specific questions about this correspondence in the interim.

Sincerely,



Jamie Palfai, Esq.  
Enforcement Section  
Arizona Securities Division

cc: Admin. Law Judge Stern (hand-delivery)  
Paul Roshka, Esq. (via fax & U.S. mail)  
Tom Galbraith, Esq. (via fax & U.S. mail)  
Martin R. Galbut, Esq. (via fax & U.S. mail)

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Joel Held  
(214) 978-3090  
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October 23, 2003

*Via Facsimile and Regular Mail*

Jamie Palfai  
The Arizona Corporation Commission  
Securities Division  
1300 West Washington, 3<sup>rd</sup> Floor  
Phoenix, Arizona 85007

Re: *Arizona Securities Commission vs. Yucatan Resorts S.A., et al.*

Dear Mr. Palfai:

I am writing in response to your October 15, 2003 correspondence in the above-referenced matter relating to the Arizona Securities Division's ("Division") intentions to take examinations under oath ("EUO") of certain individuals. First, I appreciate your, at least implicit, admission that the EUOs that have to date been scheduled by the Division (which, as a result we filed a Motion to Quash and a Supplemental Motion to Quash) relate to the above-referenced proceeding. Further, while I appreciate your agreement to have counsel for the Respondents attend the EUOs, the restrictions on counsel's participation is unacceptable. Thus, I would like to propose an alternative resolution to the matter.

Respondents, Yucatan Resorts, Inc., Yucatan Resorts, S.A., Resort Holdings International, Inc. and Resort Holdings International, S.A., hereby recommend the following resolution.

The Division will conduct the EUO's as depositions contemplated by A. A. C. R14-3-109(P). As such, all parties will be entitled to: (1) notice of the depositions; (2) cross-notice the depositions; (3) attend the depositions; (4) question the witnesses; (5) object to improper questions and/or answers; and (6) be able to purchase a copy of the transcript from the court reporter.

We believe the foregoing should alleviate due process concerns. The proposal you submitted to me in your October 15, 2003 correspondence prevents Respondents' counsel from objecting to questions, obtaining copies of the transcripts, and otherwise questioning the witness.

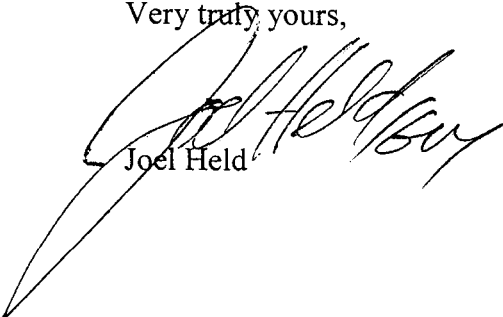
Further, to the extent that the Division seeks to obtain from individuals testimony that is unrelated to the Universal Lease or any of the Respondents, such testimony should be taken on a separate occasion, or alternatively, a separate record should be made of that testimony. In either event, counsel in the "Yucatan" matter would not be present and the "Yucatan" record would be clear.

Mr. Jamie Palfai  
October 23, 2003  
Page 2

We believe that the foregoing process is fair to all parties involved, as it allows all parties to actively participate in the discovery process and, thus, allows the parties to adequately prepare for hearing. Bu copy of this letter, I am asking counsel for the remaining Respondents to provide their input as well.

Thank you in advance for your prompt response.

Very truly yours,



Joel Held

JH/pds

cc: Admin. Law Judge Stern  
Elizabeth L. Yingling  
Martin Galbut  
Paul Roshka, Jr.